SECTION 1: CHINA'S EFFORT TO DOMINATE THE ASIA-PACIFIC REGION AND ITS IMPACT ON U.S. INTERESTS

China's methodical and accelerating military buildup presents a growing security threat to Taiwan, specifically, and an emerging security challenge for the United States, its friends and allies, and other nations in the region. Over the past decade, the Chinese mili-

tary threat has grown far faster than many experts predicted. As former Deputy Assistant Secretary of Defense for Asia-Pacific Affairs Kurt Campbell testified, in the aftermath of the 1995–1996 crisis in the Taiwan Strait, the U.S. intelligence community conducted a number of studies to project China's future military capability and "every one of the studies missed on the short side." [7] China's secrecy about its military programs and its intentions contribute to the perception that China is a growing threat to peace and security in the Pacific.

China wants a military that is capable of performing a variety of essential offshore missions, including protecting its eastern seaboard and ensuring the security of the sea lanes through which it receives resources essential to its continued economic development. But as Secretary of Defense Rumsfeld warned a Chinese military audience, "expanding [Chinese] missile forces" and "advances in Chinese strategic capability" worry China's neighbors and raise questions, "particularly when there is an imperfect understanding of such developments on the part of others." [8] China's aggressive pursuit of territorial claims arising from disputes with Japan in the East China Sea and multiple countries in the South China Sea and its forays into the Bay of Bengal give rise to growing regional security concerns in Japan, India, and Southeast Asia.

China's military threat against Taiwan is implicitly a threat to the United States as a result of both explicit and tacit assurances that have been expressed to Taiwan by every U.S. Administration since 1949. Taiwan has successfully converted from authoritarian rule to a functioning democracy, making it an even more significant symbol of American interest in the region and increasing the likelihood that a Chinese conflict with Taiwan will also involve U.S. forces.

Current Chinese policy seeks to avoid military confrontation, relying instead on united front [9] tactics and intimidation to exert pressure on Taiwan officials. In the meantime, China continues to acquire additional sophisticated weaponry and develop strategies to overwhelm Taiwan—and U.S. forces if they do become involved in a conflict between China and Taiwan. China's growing military capability may embolden its leaders to adopt a more aggressive approach toward Taiwan or in other disputes, particularly if there is reason to believe the United States would be unlikely or unprepared to respond.

Any conflict across the Taiwan Strait would result in disastrous consequences throughout Asia, regardless of the outcome. Therefore, it is imperative that the United States discourage both China and Taiwan from taking steps that would unilaterally change the status quo and consequently trigger military action. To accomplish this, the United States must continue to present a credible deterrent to China. In order to dissuade China from acts of aggression, Taiwan must also ensure that its military is sufficiently robust and prepared to fend off an attack until U.S. forces are able to respond.

China's Regional Strategy

China's military modernization is driven by factors beyond its immediate focus on Taiwan. China has several unresolved security issues that are maritime in nature—pursuit of territorial claims in

the East and South China Seas, ensuring the security of imported energy and raw materials, and protecting its eastern seaboard—where U.S. forces remain a dominant presence. China scholar Paul Godwin notes that a careful reading of China's defense white papers reflects a "fundamental apprehension of U.S. power and military presence both globally and in the Asia-Pacific region," and concludes that to address its insecurities China seeks to become Asia's dominant military power.[10] To do so will require China to project its military presence eastward where it will confront U.S. and allied forces and challenge U.S. security interests in the Pacific region.[11]

China and Japan may be headed for a conflict over territorial claims and natural gas deposits in the East China Sea estimated to be 200 billion cubic meters—located near the line Japan asserts but China denies is the boundary between the two countries' jurisdictions.[12] Nationalist sentiments run deep in both countries; this increases the risk that an accident or unexpected incident quickly would escalate into a full-blown confrontation. Such an incident could arise out of China's increasingly frequent and aggressive military intrusions into Japanese waters and airspace. Since this dispute arose in the early 1970s, China has claimed the Japanese-controlled Senkaku Islands (Diaoyutai in Chinese) and an economic exclusion zone (EEZ) that extends to the edge of the continental shelf, encroaching on Japanese territorial claims. A continuing pattern of intrusions by Chinese oil exploration and ocean research vessels, warships, and military aircraft into the contested areas and a contentious Chinese drilling operation feed this simmering dispute.

Chinese assertiveness and intrusions are a growing concern. In July 2004, Japanese forces intercepted Chinese navy and civilian survey vessels conducting operations within the Japanese EEZ, in possible violation of the United Nations Convention on the Law of the Sea (UNCLOS) to which both countries are signatory.[13] In November 2004, the Japanese Maritime Self Defense Force (MSDF) chased a Chinese Han-class nuclear submarine from Japanese territorial waters near the southern island of Okinawa.[14] In September 2005, a Chinese Navy destroyer aimed its guns at a MSDF surveillance plane near the disputed waters and five other Chinese naval vessels were observed operating in the area.[15] In addition, Chinese spy planes entered the disputed area on at least three occasions between September and October 2005. The increasing frequency and aggressiveness of these Chinese provocations could lead unexpectedly to a military confrontation with Japan, one of the United States' strongest alliance partners—so that it would be difficult for the United States to avoid becoming a party to the conflict.

Further south, Beijing's claims of sovereignty over vast areas of disputed maritime territory surrounding reefs and atolls known as the Spratly Islands compete with claims by the Philippines, Vietnam, Taiwan, Malaysia, Indonesia, and Brunei. The prospect that these islands may contain abundant oil and gas fields elevates the stakes of this dispute. In 1992 members of the Association for Southeast Asian Nations (ASEAN) committed to resolve disputes peacefully and to consider joint exploration of the territory.[16] How-

ever, exploration efforts by China, and its military presence in the area, since 1992 raise new concerns there could be a violent conflict over the rights to the Spratlys that could envelop other nations including the United States. The ASEAN 2002 Declaration on the Conduct of Parties in the South China Sea could restrain Chinese assertiveness in the region.

In addition, a growing dependence on imported energy resources needed to sustain its economic development exposes China to new vulnerabilities and heightens its need to secure new energy sources and the sea lines of communications (SLOCs) from East Asia to the Persian Gulf and Africa needed to move energy supplies to China. With Myanmar's consent, China operates a maritime reconnaissance and electronic intelligence station on Great Coco Island and is building a base on Small Coco Island in the Bay of Bengal.[17] According to an Asian defense analyst, China is helping Myanmar modernize several naval bases as a means of extending its power into the region. Moreover, Indian authorities claim that China has helped build radar, refit, and refuel facilities there to support further Chinese naval operations in the region in the future.[18]

China has worked to orchestrate the eviction of U.S. logistics forces supporting the anti-terrorism operations of the U.S.-led coalition from installations, airfields, and the skies over the Central Asian republics. The call to end U.S. military operations from bases in Central Asia appears to have been decided during meetings between Russian President Putin and Chinese President Hu Jintao when Hu visited Russia shortly before a July 2005 summit of the Shanghai Cooperation Organization (SCO).[19] The declaration arising from the summit called on members of the anti-terrorist coalition—a thinly veiled reference to the United States—to set a final timeline for vacating Central Asia and demonstrates that China's commitment to combat terrorism is secondary to its desire to reduce U.S. presence and influence there.

China's Rising Defense Expenditures

As noted in the Defense Department's 2005 *Annual Report to Congress on China's Military Modernization* (2005 DoD Report), China faces no direct threat, yet it is building a military that puts regional military balances at risk, gives it the potential to threaten Asian neighbors, and equips it with the means to employ force to settle a range of issues and challenges within the region, including unification of Taiwan.[20] China's efforts are focused on developing the capability to fight and win short-duration, high-intensity conflicts along its periphery, especially in its maritime areas. Under Politburo orders to develop military options to deal with Taiwan, China's People's Liberation Army (PLA) seeks military capabilities designed to pose a sufficient threat to influence Taiwan's choices about its political future or, failing that, to overwhelm Taiwan militarily should it decide on that course of action.[21] PLA modernization efforts assume the need to deter, delay, or complicate U.S. efforts to intervene on behalf of Taiwan.

Beginning in the early 1990s China stepped up its efforts to develop the PLA into a leading-edge military capable of intimidating Taiwan or, if necessary, prevailing in a military confrontation in the Taiwan Strait. China has sustained this effort through 15 years

of double-digit growth in China's officially reported defense budget—averaging budget growth of 13.5 percent per year during the past nine years (see Table 3.1). At this rate of growth, China is doubling its real defense budget every five years, after adjusting for inflation. In keeping with this trend, China announced a 12.6 percent increase for 2005 to US$29.9 billion. During this period of unprecedented growth in China's defense budget, defense budgets for nations elsewhere in the region have generally remained constant or been in decline.[22]

It is widely recognized that China's officially published defense budget substantially underreports actual expenditures, omitting foreign weapons procurement, funding for nuclear weapons programs, subsidies to defense industries, defense-related research and development, and contributions received from provincial and local governments. The 2005 DoD report notes that analysts who have studied China's defense budget generally agree that the official figure under-reports Beijing's actual defense spending by a factor of two or three, "suggesting that China's defense sector could be receiving as much as US$90 billion in 2005, making China the third largest defense spender in the world after the United States and Russia, and the largest in Asia."[23]

Expansion of China's Nuclear Forces

Comments by Chinese general officers offer an effective reminder that China's nuclear forces serve principally as a deterrent aimed at the United States.[24] The significant investments in upgrades to its nuclear forces clearly demonstrate that deterring the United States remains a centerpiece of China's defense strategy as it enters the 21st century. For many years China relied on an inventory of 20 CSS–3 medium range ballistic missiles (MRBMs) capable of striking Alaska and 20 CSS–4 intercontinental ballistic missiles (ICBMs) capable of striking portions of the continental United States. China currently is updating virtually all its nuclear capabilities and apparently has concluded that it is necessary to augment its nuclear forces to counter the U.S. deployment of national missile defense.[25] By 2015, China's intercontinental nuclear force is projected to grow to 75 to 100 warheads.[26] In the process China will transition to solid-fuel, road-mobile DF–31 and DF–31A missile systems with multiple reentry vehicle (MRV) or multiple independently targetable reentry vehicle (MIRV) warheads.[27,28] These smaller, and possibly stealthy, MRV/MIRV warheads are designed to defeat U.S. ballistic missile defenses. Within the next year, China is expected to achieve initial operational capability for the DF–31. By the end of the decade China will field the extended range DF–31A, thus significantly increasing the range, accuracy, and survivability of its deterrent capability.[29]

More ominously, perhaps, China is deploying a new Type 094 nuclear-propelled Jin-class ballistic missile submarine (SSBN). The new SSBN is configured to carry 16 JL–2 missiles, a sea-launched version of the new DF–31 system.[30] The Type 094 was designed to replace the troubled single-ship Xia-class, China's first generation SSBN. Expected to be quieter and more reliable, the Type 094 provides China with another survivable counter to U.S. ballistic missile defenses.

Accelerated Growth in Precision Strike

According to the 2005 DoD Report, China's precision strike capability now includes several advanced missile systems that threaten Taiwan while they simultaneously hold other vital installations and bases throughout the Western Pacific at risk.[31] Short-range ballistic missiles continue to constitute the largest and most threatening component of this family of weapons. Deployed primarily, and threateningly, in the vicinity of the Taiwan Strait, this force now stands at an estimated 650 to 730 missiles and is increasing at a rate of 75 to 120 missiles per year.[32] Based on reported increases in the rate of new missile deployments, it appears that China is ramping up production of these missiles. Of greater concern, improvements in propulsion and guidance systems have increased the range, accuracy, and reliability of these weapons to the extent that they now provide a true precision strike capability against fixed targets. China has begun exploring enhancements—maneuverable reentry vehicles with seeker guidance—that would permit the use of these weapons for anti-access and sea-denial missions.[33]

Naval Forces—At the Forefront of Modernization

The PLA Navy (PLAN) is engaged in an unprecedented level of construction and acquisition of major surface combatant ships.[34] It currently is deploying seven new major ship classes at one time, building up to two new ships in each class per year. These include the Project 956 Sovremenny-class guided-missile destroyer (DDG); the Type 52B DDG; the Type 52C, Aegis-like DDG; the Type 54 guided-missile frigate, the brand new Yuan-class diesel attack submarine (to augment the advanced Kilo-class [Project 636] submarine China purchased from the Russians); the Project 093 nuclear attack sub; and the Type 094 nuclear missile sub.[35] Further threatening Taiwan's ability to ward off a potential attack, the PLAN's arsenal now includes nearly a dozen varieties of Anti-Ship Cruise Missiles (ASCMs), including SS–N–22 supersonic, nuclear-capable anti-ship cruise missiles (ASCMs) designed to combat U.S. aircraft carrier battle groups. Sea-skimming and capable of rapid directional changes, they are very difficult to defend against. China has also stepped up indigenous research and development efforts to improve the speed, range, payload, and stealth of these weapons and their delivery platforms.[36] New ships emerging from Chinese shipyards are armed with indigenously produced ASCMs and longer-range surface-to-air missiles designed to provide fleet air defense. China's latest warship, the Jiangnan-built destroyer dubbed the "magic shield of China," is reportedly outfitted with a wide array of French-developed electronics and stealth features and a Russian missile defense system modeled after the U.S. Aegis battle platform.[37]

Sufficient numbers of modern Chinese surface combatants now exist to enable China to complicate regional access for the U.S. Navy. According to Rear Admiral (ret.) Eric A. McVadon, "China has built or is building enough new and modernized destroyers and frigates to form several surface action groups (SAGs), each capable of long-range ASCM attacks and, for the first time for the PLAN, good fleet air defenses using surface-to-air missile (SAM) systems—

with the best SAM systems coming from Russia."[38] These modern SAMs allow the PLAN to defend itself from air attack and make it less vulnerable, even in the absence of air cover, in contested waters such as the South China Sea. In addition, during the period 2001 through 2005, China built 23 new amphibious assault ships capable of ferrying tanks, armored vehicles, and troops across the 100-mile-wide strait to Taiwan. Nearly all the PLAN's inventory of U.S.-built, World War II-vintage landing ships has been replaced by similar numbers of domestically-produced vessels. These new, larger, and more specialized vessels, combined with the new Dayun-class supply ships, will form the basis of a more modern and expanded amphibious fleet.[39]

China's maritime strategy relies on submarines to patrol the coastal waters, blockade the Taiwan Strait, and deter foreign interventions. As Congressman Rob Simmons noted in testimony to the Commission, with about 16 boats under construction and 25 under contract, "China is buying new submarines literally by the dozen."[40] The boats in China's marginally successful nuclear-propelled fleet, consisting of Han-class attack submarines (SSNs) and a single Xia-class ballistic missile submarine (SSBN), are scheduled for replacement with three or more new Type 093 SSNs with Russian quieting and weapon systems, and at least two Type 094 SSBNs discussed in the above section on nuclear forces. Russian shipyards are currently building eight Kilo-class diesel-electric submarines to add to the four already in China's inventory. Ordered in 2003 at a cost of US$1.6 billion, they are scheduled for 2007 delivery. Another five Type 039 Song-class conventional attack submarines are under construction at Wuhan and Jiangnan shipyards.[41] In July 2004, the U.S. intelligence community was surprised by the sudden appearance of the Yuan-class diesel attack submarine under construction at the Wuhan shipyard.[42] Many of these new boats will be armed with sophisticated torpedoes and ASCMs capable of being launched while submerged.[43]

PLA Air Force Adds Striking Power and Reach

Beginning in 1991, the PLA Air Force (PLAAF) began to acquire advanced Russian fighter aircraft and armaments. Between 1992 and 1995, Russia exported 48 Su–27 fighter aircraft to the PLAAF. In 1995, China reached an agreement to begin licensed co-production of up to 200 Su–27s, referred to in Chinese media as J–11 aircraft, at the Shenyang Aircraft Company. Ninety-four Chinese-assembled Su–27s entered service in the PLAAF before work ceased under this program.[44] Between 2000 and 2005 the PLAAF purchased 76 Su–30 fighter-bombers from Russia to enhance its strike capability, along with an additional 28 Su–27 two-seat trainer aircraft. In addition to PLAAF acquisitions, the PLAN has acquired 48 Su–30 aircraft, bringing China's inventory to nearly 300 advanced, fourth-generation fighter and fighter-bomber aircraft. Advanced fire control systems onboard Su–30 aircraft provide the ability to perform cooperative targeting with up to four Su–27 aircraft, greatly enhancing the ability of Chinese pilots to identify, prioritize, and engage enemy aircraft in a complex operational environment.[45] Su–30MK2 deliveries to the PLAN feature an improved precision-attack capability and an entirely new C4ISTAR

(command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance). The aircraft's new N001VEP fire-control radar is modified to launch the Kh–31 (NATO codename: Kh–17A *Krypton–A*) long-range supersonic antiship missile.[46]

In the event of a crisis, China could quickly overwhelm Taiwan's air defenses and close island airfields with ballistic and cruise missiles then use these aircraft, coupled with China's growing arsenal of sophisticated land and sea-based surface-to-air missiles (SAMs), to achieve air superiority over the Strait. Air superiority, once established, would allow China to put air routes and shipping lanes at risk and thus blockade Taiwan, and disrupt commerce in northeast Asia. The proximity of Chinese fighter bases would permit the PLAAF to sustain a relative superiority in numbers over the Strait and present a difficult challenge for U.S. air and naval forces that might be called on to respond.

In September 2005, China reportedly signed a contract to purchase 30 Ilyushin IL–76 heavy transport aircraft and eight IL–78M air refueling tankers from Russia; if confirmed, this would add a significant boost to the strategic lift and reach of combat forces.[47] Similar in design and function to the U.S. Air Force C–141 aircraft, the IL–76 will provide China with improved capability to transport outsized military cargo and conduct airdrops, including drops of airborne forces. This capability would be greatly advantageous in any regional conflict, particularly a conflict for control of Taiwan.

Information Operations Strategies

Chinese military strategists write openly about exploiting the vulnerabilities created by the U.S. military's reliance on advanced technologies and an extensive command, control, communications, computer, intelligence and strategic reconnaissance (C4ISR) infrastructure to conduct operations and to give it a decisive edge over adversaries in combat. Often writing in the context of discussing asymmetric warfare—or 'overcoming the superior with the inferior'—the military authors suggest a variety of methods for destroying or degrading U.S. C4ISR capabilities, including anti-satellite weapons, computer network attacks (CNA), introduction of computer viruses, or en masse hacking. It is not clear how effective this effort might be in a potential conflict between China and the United States, but it is clear that China possesses the resources to conduct attacks against C4ISR, and that this would likely be an important component of Chinese efforts to delay or deter U.S. involvement in a Taiwan scenario.[48]

In addressing this point, Dr. James Mulvenon explained that Chinese doctrinal writings advocate CNA as one of the most effective means for a weak military to fight a strong one.[49] From the Chinese perspective CNA is a low-risk, high-payoff supplement to conventional military operations. The Chinese view it as a long-range weapon that would allow China to directly attack the U.S. homeland while retaining a high degree of plausible deniability by Chinese government officials, and therefore reduce the odds of a rapid escalation by the United States. To preserve strategic denial and deception, Chinese theorists advocate attacks against the more accessible and vulnerable U.S. government networks used to ex-

change unclassified information, rather than attempting more sophisticated assaults that would be needed to penetrate highly protected internal government networks used to exchange classified information. As Dr. Mulvenon noted, U.S. military planners continue to rely heavily on unclassified networks to manage a variety of essential logistics and rear area support activities that are crucial to overall operations, and disabling those systems could undermine a rapid U.S. response to an emerging crisis.[50] There is ample evidence that the Chinese have engaged in numerous attempts to break into various classified and unclassified U.S. government and private networks. The scale, persistence, and sophistication of these attempts point to Chinese government sponsorship or acquiescence.[51]

China's Space Programs

During the past several years, China has become a major space power. It launched its first satellite in 1970 and since then has experimented with recoverable photo imaging, remote imaging, communications, meteorological, maritime surveillance, and electronic and military intelligence satellites. Since 1988, China and Brazil have pursued a ground imaging program that resulted in the successful development and launch of two China-Brazil Earth Resources Satellites. In 2003, China entered a cooperative agreement with the European Community on Galileo, the civil global navigation satellite system (GNSS) developed by the EU.

In October 2003, China joined the United States and Russia in the manned spaceflight club. China's latest manned space mission, carried out between 11 and 17 October 2005, orbited two astronauts 76 times around the earth in five days while carrying out scientific experiments in a separate orbiter module. Having proven its ability to launch and recover manned space missions, China has provided further evidence of its mastery of weapons delivery capability. Chinese space ambitions include a space walk in 2007, development of a manned space station between 2008–12, and placing a man on the moon by 2020.[52] China possesses a large and growing space infrastructure with multiple ground launch sites and a robust satellite launch and tracking control center supported by domestic and overseas tracking facilities including a fleet of eight tracking ships.[53]

Chinese military writings discuss anti-satellite (ASAT) programs and suggest China may be pursuing ground-based lasers capable of damaging or destroying satellites.[54] While China currently lacks sufficient space surveillance and tracking capabilities and the launch-on-demand capability to conduct ASAT operations, technical characteristics of China's KT–1 mobile launcher may be suitable for a direct ascent ASAT at some point in the future.[55] Chinese military strategists recognize that U.S. forces have become highly reliant on space-based systems to support the full scope of operations—command and control, communications, intelligence, surveillance, targeting, and missile defense—and any disruption or degradation of U.S. space assets would significantly impinge on the ability of the United States to conduct air and naval operations in the vicinity of Taiwan.

PLA Operational Training and Exercises

A key component of China's military modernization involves education, training, and exercises. The sophisticated new weapons systems coming on line require the PLA to conduct rigorous training, in some cases over many years, before personnel develop the skills and confidence to perform the complex tasks in a modern combat environment. The PLA training regime clearly aims to confront the capabilities of the U.S. military. Dennis Blasko, a former U.S. military attaché in Beijing, pointed out that PLA operational and training doctrine undoubtedly is calibrated toward defeating uniquely U.S. weapons platforms and capabilities, including stealth aircraft, cruise missiles, helicopter gunships, precision strikes, and reconnaissance and surveillance.[56] As Rear Admiral (ret.) McVadon pointed out, U.S. analysts cannot accurately predict how quickly, through training and exercises, the PLA will attain full operational status with the modern equipment it is acquiring.[57] The Chinese military may be able to assimilate new weapons systems and technology at a more rapid pace than other nations.

Bilateral exercises with Russia and other nearby nations may also contribute to the pace of the PLA's advancement. In the past, China demonstrated a reluctance to participate in military exercises with other nations' forces, but recently it has come to understand the value of participating in combined exercises. The growing confidence of PLA commanders has been demonstrated by a willingness to join in an increasing number of such exercises. In August 2002, China and Russia participated in cross-border communication exercises near Inner Mongolia.[58] In 2002 and 2003, China participated in anti-terrorist exercises with member countries of the Shanghai Cooperation Organization (SCO).[59] In summer 2004, China conducted a small-scale cross-border security exercise with Pakistan's armed forces in northwest China.[60] Most recently—in August 2005—China conducted a major field training exercise with Russian air, land, and naval forces in the vicinity of Vladivostok and on the Shandong peninsula. According to Chinese press releases, some 10,000 Chinese and Russian troops took part in this military exercise, dubbed Peace Mission 2005.[61]

Foreign Military Acquisitions and Assistance

U.S. and EU sanctions, in place since China's violent suppression of Tiananmen protestors in 1989, restrict transfers of military hardware and dual-use equipment to China. As a consequence of these sanctions, Russia emerged as China's default supplier of advanced military hardware. Additionally, China has received significant military technology from Israel and Brazil.

As noted in the 2004 DoD Report to Congress on China's Military Power, since 1991 the republics of the former Soviet Union sold China a total of $20 billion in military hardware and services, with actual deliveries estimated at $12 billion as of 2004. Russia, Ukraine, and Belarus are China's chief sources of weapons and materiel, reportedly providing in excess of 95 percent of all China's arms imports since 1990.[62]

Israel has a history of defense cooperation with China that began in the early 1980s. Israel offered substantial assistance in the development of China's indigenous F–10 air defense fighter that was

based on Israel's cancelled Lavi fighter. Five years ago, under U.S. pressure, Israel cancelled the sale to China of its Phalcon airborne warning and control system (AWACS), a deal valued in excess of one billion dollars.[63] China then turned to Russia where it purchased the A–50I as an alternative.

More recently the United States pressured the Israeli government to cancel a contract to upgrade a fleet of 100 Harpy drone aircraft that Israel sold to China in the 1990s with U.S. approval. U.S. officials objected to the planned retrofit of new high-tech parts for the drones on grounds it would give them an additional capability to attack ground anti-aircraft radars. Israel agreed to cancel the deal and entered into an understanding with the United States to review future weapons transactions to ensure the two governments see eye-to-eye on third-party military transfer issues and avoid a repeat of the dispute over the drones.[64]

EU Arms Embargo

In 2004 the EU considered the possibility of lifting an arms embargo it had imposed against China after the 1989 Tiananmen massacre. The momentum in the EU to lift the embargo was halted temporarily by U.S. pressure and Europe's reaction to China's enactment of its Anti-Secession Law in early 2005 but French President Jacques Chirac and former German Chancellor Gerhard Schroeder are on record stating that the embargo should be lifted. EU High Representative for the Common Foreign and Security Policy Javier Solana also has lent support. However, the United Kingdom, the Netherlands, Sweden, and Denmark insisted that the ban should stay in place, and in April 2005, the European Parliament passed a non-binding resolution to retain the 16-year-old arms embargo, noting that member states should "find ways to facilitate dialogue, defuse tension, and encourage disarmament in cross-Strait relations [with Taiwan]."[65] The resolution described Taiwan as "a model of democracy for the whole of China" and called on the EU to draft a binding code of conduct on arms sales. As the 2005 DoD report notes, the consequences of lifting the embargo would be serious and numerous. The embargo bars China from access to many dual-use technologies, and its repeal very likely would be followed by the sale to China of some of those technologies. This, in turn, would increase the pressure on Russia and other FSU countries to sell their most advanced military weapons to China.[66] There is evidence that China is employing a "forceful and consistent" effort to pressure the EU into lifting the arms embargo.[67] Calls to lift the embargo are likely to continue and the EU leadership again will be tempted to cite a revised Export Code of Conduct as a sufficient safeguard to override any concerns that canceling the embargo will increase China's access to advanced weapons and dual-use technologies.

Taiwan's Defense Needs

During the past decade, Taiwan's defenses and defense budgets have not kept pace with the rapidly growing military threat posed by the PLA. Between 1994 and 2005, Taiwan's regular defense budget declined, as a percentage of gross domestic product (GDP), from 3.8 to 2.4 percent.[68] The George W. Bush Administration is

"increasingly concerned" that Taipei is failing to invest both in military hardware and other improvements, such as hardening command and control facilities and stockpiling ordnance, that are vital to survivability and deterrence.[69] In September 2005, the Director of the Defense Security Cooperation Agency's Middle East, Asia, and North Africa Directorate, Edward Ross, publicly warned Taiwan government officials that "the U.S. ability to contribute to Taiwan's defense in a crisis is going to be measured against Taiwan's ability to resist, defend, and survive based on its own capabilities," and strongly urged Taiwan to improve its defenses.[70]

Taiwan defense expert Fu S. Mei pointed out that there have been some noteworthy positive developments, including Taipei's establishment of civilian control over the military, an improved capability to conduct joint operations, and upgrades to air defense and command and control systems.[71] Yet Taiwan faces other serious security challenges that have not been adequately addressed. Taiwan's civilian infrastructure—telecommunications, electric power, and rail and road systems—is highly susceptible to sabotage by fifth column operations. Expanded economic integration and cross-border flows between the mainland and Taiwan further compound the challenges that Taipei confronts in defending against infiltrating special operations forces. As James Mulvenon noted, Taiwan's current military capability and readiness levels are much lower than other states—notably Israel and South Korea—which are faced with comparable security concerns.[72]

In April 2001 the United States responded to a request originating from Taiwan's government dating from when it was led by the Kuomintang (KMT) party, for advanced weapons in the face of China's continued militarization of the Taiwan Strait by offering to sell Taiwan up to US$30 billion of defense articles and services. This included eight diesel-electric submarines, 12 P–3C Orion anti-submarine warfare (ASW) aircraft, 54 Mark–48 ASE torpedoes, 44 Harpoon submarine-launched anti-ship cruise missiles, 144 M109A6 Paladin self-propelled howitzers, 54 AAV7A1 amphibious assault vehicles, electronic countermeasure (ECM) systems for F–16 aircraft, and 12 MH–53 mine-sweeping helicopters.[73] Additionally, the United States offered four decommissioned Kidd-class destroyers as Excess Defense Articles (EDA). Subsequently, in May 2002, the White House approved Taiwan's request for 30 Apache attack helicopters.[74]

Taiwan's pace of acquisition has been modest and disappointing. In 2002, the George W. Bush Administration authorized the sale of up to 200 advanced medium-range air-to-air missiles (AMRAAMs) for Taiwan's fleet of 150 F–16 aircraft. Taiwan ordered and has taken delivery of 120 missiles, but has not acted on a subsequent U.S. offer of and recommendation that it purchase surface-launched AMRAAMs (SLAMRAAMs) to defend against China's growing arsenal of cruise missiles.[75] In September 2003, Taiwan initiated a contract with Lockheed Martin to enhance its command, control, communications, intelligence, and surveillance (C4ISR) program.[76] Taiwan began taking delivery of amphibious assault vehicles in March 2005.[77] Delivery of the four Kidd-class destroyers is expected between 2005 and 2007.[78] In June 2005, Taiwan concluded a $752 million contract with Raytheon to purchase one of the two early

warning (EW) radars that had been approved by the White House in 2000.[79]

For the past year, President Chen Shui-bian has sought to secure passage by the country's parliament, the Legislative Yuan of a US$15.3 billion Special Budget[80] for the purchase of Patriot PAC–III air defense systems, P–3C Orion antisubmarine aircraft, and diesel attack submarines—systems that U.S. planners deem essential to Taiwan's defense. These efforts have been frustrated by partisan wrangling including opposition by the KMT which originally sought many of the components of the arms package. In September 2005, the heads of the KMT and People First Party (PFP), Taiwan's two main opposition parties, jointly opposed a scaled-back US$11 billion special budget proposed by President Chen's administration, arguing that the weapons were unnecessary and too expensive, and against the Taiwan people's wishes.[81] Citing assurances from the mainland, James Soong, chairman of the pro-unification PFP, stated, "In May, when I went to China, [Chinese President] Hu Jintao clearly said if Taiwan doesn't pursue independence, there won't be any military threat in the Taiwan Strait."[82] These comments, and similar arguments from the KMT legislators, indicate that there is little likelihood that the special budget will pass soon.[83]

As former Department of Defense Country Manager for China and Taiwan Dan Blumenthal testified, the obstructionism and political cynicism of opposition party leaders in Taiwan's parliament is obvious.[84] The special budget items being sought by President Chen's office—submarines, P–3 aircraft, and Patriot PAC–3 air defense missiles—are the same items that the KMT requested when it held power five years before. This has troublesome implications for the national security interests of Taiwan—and those of the United States.